

Medicaid Works: Cuts Would Harm Arizonans



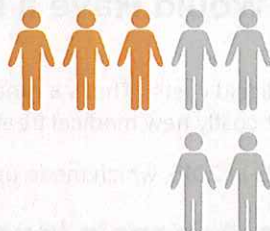
Large cuts in federal funding for Arizona's Medicaid program would put health coverage at risk for many Arizonans. Arizona's Medicaid program enables low-income seniors, children, and people with disabilities to get needed health care. And it helps parents and other adults stay healthy, work, and avoid medical debt.

Medicaid Helps Arizona's Families

1.7 million

Arizonans get comprehensive, affordable health coverage through Medicaid.

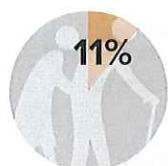
Most are children, seniors, and people with disabilities.



805,000 of Arizona's children get health care through Medicaid, including the primary care they need to stay healthy.

That's **3 of 7** kids in Arizona who rely on Medicaid for their care. Arizona's kids are particularly vulnerable to cuts to Medicaid.

121,000 of Arizona's seniors get health care through Medicaid, including nursing home care and services that help them live at home.



That's 11% of seniors in the state.

Medicaid provides **176,000** people with disabilities in Arizona with access to critical care that helps them live independently.

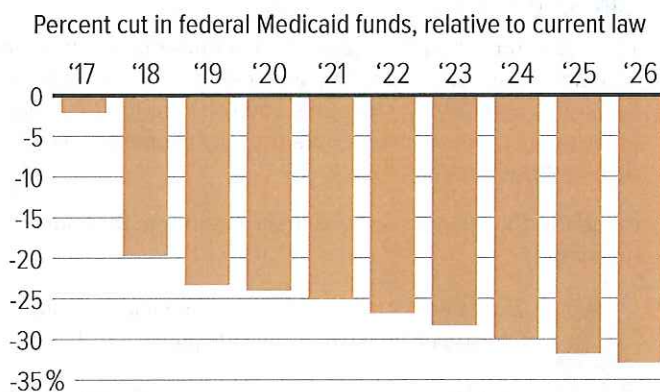


That's 22% of people with disabilities in the state.

...But Congress Is Considering Shifting Medicaid Costs to States

Congress is considering plans to "block grant" or "cap" Medicaid – which would cut federal Medicaid funding by large and growing amounts over time, leaving it well below what states will need to continue serving all beneficiaries. A proposal the House Budget Committee approved in 2016, for example, would cut \$1 trillion over ten years, with the cut growing to 33 percent by the tenth year, based on CBPP analysis (see graph).

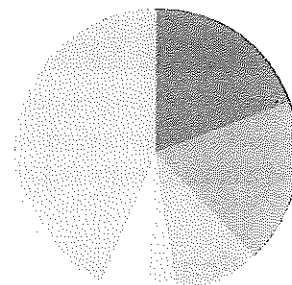
These cuts would achieve federal savings by shifting Medicaid costs to Arizona and other states. The loss of federal support could make it harder for Arizona to respond to public health crises such as the current opioid epidemic.



Given that states must balance their budgets, cutting Medicaid would force Arizona legislators either to make deep cuts to other state priorities like education or public safety, or to decide which people to cut from Medicaid and which health services to stop covering. Given the magnitude of the cuts, there would be no way to protect the populations helped by Medicaid – including seniors, people with disabilities, and families with kids.

Distribution of Arizona's State Budget, 2015

Elementary and secondary education: 19%
Higher education: 19%
Medicaid: 10%
Corrections: 5%
Transportation: 4%
All other: 43%



Cutting Federal Medicaid Funds Would Have a Big Impact on Arizona's Budget

The federal government covers **69%** of Arizona's Medicaid costs. That's a great deal for Arizona, especially when costs are higher than anticipated, such as when an effective but costly new medical treatment becomes available.

Arizona received **\$9.6 billion** in federal Medicaid funds in 2015, which made up **60%** of Arizona's federal funds.

Cuts Could Undermine Arizona's Innovative Programs

Behavioral Health Integration

Before 2014, lack of coordination between providers of physical health care in Arizona and providers of behavioral health services created a real barrier to care for people with serious mental health or substance use disorders. But in 2014, Medicaid and behavioral health partners collaborated to streamline access to mental health and substance use disorder services for Medicaid beneficiaries in Maricopa County, Arizona's largest county. In 2015, this strategy was expanded to all of Arizona.

Through the new, integrated system, Medicaid beneficiaries with serious mental illness or substance use disorders will have a fully integrated health plan that coordinates physical and behavioral health care — and coordinates care for those also enrolled in Medicare.



Warning

If Congress makes deep cuts to Medicaid, Arizona will have to make tough choices about which services to offer people who rely on Medicaid. They may need to cut off access to care for behavioral health conditions, and they won't be able to invest in innovative ways to integrate care like this one.

Circle the City

This community health organization in Phoenix provides comprehensive health services to people experiencing homelessness. Circle the City worked with St. Joseph's Hospital in Maricopa to help some of the people who most frequently use both St. Joseph's and the county homeless shelters to get needed health care and social services. Emergency room visits by Circle the City clients fell by 73 percent, and hospitalizations fell by 74 percent, once clients received permanent housing.

Circle the City also works with first responders to identify medically vulnerable people and help them get permanent housing.



Warning

Circle the City relies on Medicaid funding for many of its services. If Congress makes deep cuts to Medicaid, Circle the City may not be able to continue providing this care.

Deeply cutting federal Medicaid funding through a block grant or cap would prevent Arizona from making the upfront investment in innovative programs like this one.

Sources: Arizona Health Care Cost Containment System, CBPP, Census Bureau, Kaiser Family Foundation, Medicaid and CHIP Payment and Access Commission, National Association of State Budget Officers

The American Health Care Act would leave many older Arizonans without health care.

The American Health Care Act (AHCA) would make it harder for older adults in Arizona to afford the health care they need. Under the AHCA:

Older Arizonans may lose access to nursing home care, home health care, and other services that help them maintain their independence.

- Proposed cuts to Medicaid would slash federal funding by \$880 billion, forcing states to cut important services for older adults, such as long term services and supports.
- Medicaid is the primary payer for 59% of nursing facilities in Arizona.
- Approximately 58,495 Arizonans received long-term services and supports through Medicaid.
- About 7.2% of Arizona's Medicaid beneficiaries are older adults; approximately 198,000 people ages 50-64 and 121,000 seniors in Arizona benefit from Medicaid.
- The proposed Medicaid cuts will grow over time, making it hard for Arizona to meet the needs of its growing aging population. By 2025, the number of Arizonans over age 65 is expected to grow by 64.2%. The number of Arizonans over 85, a population that relies on long term services and supports, is expected to grow by 37.7%.

Older adults may not be able to afford to pay their health insurance premiums.

- As of 2016, 44,000 Arizonans ages 50-64 received tax credits to purchase coverage through the Marketplace. Nationwide, one in four people (26%) enrolled in Marketplace plans are ages 55-64.
- For a 60-year-old living in Tucson, Arizona with an income of \$30,000/year, insurance premiums paid after tax credits could increase by \$7,610 in 2020.
- By changing the 3:1 limit on age rating to 5:1 (or higher if state law permits), premiums for older adults would increase relative to younger adults. This "age tax" by itself would raise premiums in Arizona by \$3,004 annually for a 60-year-old.
- The proposed bill also rolls back expanded Medicaid coverage, which currently provides affordable health care to 418,400 Arizonans, including many 50- to 64-year-olds.
- Arizona is one of twelve states that improved its Medicaid program to help people dually eligible afford their Medicare premiums and cost sharing, benefiting more than 204,000 Arizonans. The proposed Medicaid cuts put this help at risk.

There would be fewer resources to fund Medicare.

- AHCA includes a huge tax cut, totaling \$117 billion, for wealthy individuals that will harm Medicare's financing in the short and long term, putting people with Medicare at risk for benefit cuts.
- AHCA opens the door to premium support (or vouchers) which would likely put the 18% of Arizonans ages 50-64 at risk for paying higher out-of-pocket costs once they enroll in Medicare.



The American Health Care Act: What Does It Mean for Arizona?

The **American Health Care Act** will strip affordable coverage from Arizonans, increase premiums and out of pocket costs (especially for older adults), and leave Arizona with the bill for any unexpected cost increases.

Cuts Medicaid dramatically:

Currently, *Medicaid provides coverage to 1.9 million Arizonans including 775,000 children*. Arizona's Medicaid expansion has a trigger that ends the expansion if federal funding goes below an 80% match threshold.

The proposed bill changes Medicaid by:

- Phasing out the additional federal funding that has helped Arizona cover 400,000 low-income adults.
- Rolling back funding, as well as the requirement, to cover school-aged children in Medicaid expansion by 2020, currently approximately 78,000 children are in the Medicaid expansion category in Arizona.
- Turning Medicaid into a per capita cap program by 2020, by locking in 2016 spending, adjusting for Medical CPI, and rolling it up into one federal dollar cap per enrollee.
- Requiring states to re-determine eligibility every 6 months (rather than once per year) starting October 1, 2017.
- Restoring pre-ACA funding to hospitals for uncompensated care after 2020 (these funds were cut in ACA to reflect a lower need for payments to hospitals because more Americans became insured).
- Establishing a monetary penalty for individuals knowingly enrolled in expansion group without meeting the income threshold. AHCCCS has a 1.1% eligibility error rate (*Arizona Auditor General, 2012*).

Other impacts to Arizona's children:

- Elimination of the Prevention and Public Health Fund (PPHF) by September 30, 2018.
- Eliminates approximately \$9.3 million dollars per year to Arizona in public health programs.
- Programs the PPHF supports include: childhood immunizations, infectious disease control, childhood lead poisoning prevention, and prevention of chronic disease, such as obesity and diabetes.

Punishes efficient and innovative states like Arizona:

- Arizona has lower Medicaid spending per full benefit enrollee than other states (\$5,821 versus a national average of \$7,766. (*MACPAC, MACSTATS, 2013 spending*))
- AHCCCS uses a private-public partnership (managed care) model.
- Has one of the lowest costs in the nation for elderly enrollees through the expanded use of community-based long-term services and supports. (*MACPAC, MACSTATS, 2013*)

Arizona's Medicaid program will lose flexibility:

- Arizona has fewer options in responding to the upcoming cuts than other states who have not implemented cost saving measures.
- A Medicaid cap will lock Arizona in at fixed funding and decrease flexibility to respond to innovations in health care, or public health crises such as Zika or the opioid epidemic, or changing demographics. For example, Arizona's population growth rate of low-income elderly is almost three times the national average (39% vs. 14%, *American Community Survey 2006-2015*).

Older Arizonans will be hit especially hard:

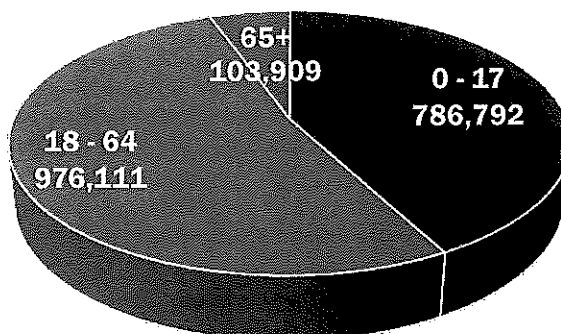
- More than 100,000 seniors depend on Medicaid in Arizona.
- This allows private insurers to charge older adults premiums that are five times higher than those that are charged to younger people.
- Because their premiums are higher, older adults will be particularly hard hit by the requirement to maintain continuous coverage or face a 30% premium surcharge.

FEDERAL MATCHING FUNDS FOR MEDICAID IN ARIZONA

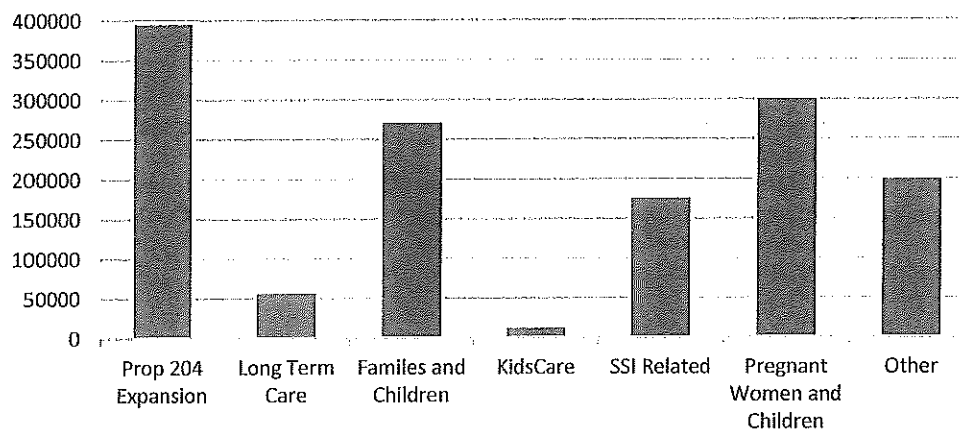
| AHCCCS Population | Current law (ACA) | AHCA changes Now - Dec. 31, 2019 | AHCA changes beginning Jan 1, 2020 |
|--|---------------------------------------|---|--|
| Prop 204 Childless Adults (up to 100% FPL) | Phasing up each year to 90% in 2020 | 80% FMAP | 80% for each person remaining continuously enrolled (without a break in coverage), regular Medicaid FMAP for new enrollees (Arizona's is 69.24%) |
| AHCCCS Expansion (100-138% FPL) | 100% FMAP phasing down to 90% in 2020 | Phase down from 100% to 90% in each year (as in existing ACA) | 90% in 2020 for each person remaining continuously enrolled (without a break in coverage), regular Medicaid FMAP for new enrollees (Arizona's is 69.24%) |
| AHCCCS children ages 0-6, up to 140% FPL | 100% FMAP | Remains at 100%FMAP | Reverts to FMAP of 78% |
| AHCCCS expansion children ages 6-19 100% to 138% FPL | 100% FMAP | Remains 100% FMAP | Reverts to FMAP of 78% |

*Federal Medical Assistance Percentage (FMAP) or commonly known as the federal match rate
American Health Care Act (AHCA)*

AHCCCS ENROLLMENT BY AGE JANUARY 2017



AHCCCS ENROLLMENT MARCH 2017



*Source of charts: AHCCCS Population Demographics; AHCCCS Population by Category
Note: KidsCare enrollment for March 2017 is 15,233*